

THE GUIDE TO LUXURY LIFESTYLES IN THE TRISTATE AREA

NEW YORK LIVING MAGAZINE

Dream Penthouses

The Next New Neighborhood The High Line

Westchester Living

Architect Profile:
Cetra/Ruddy

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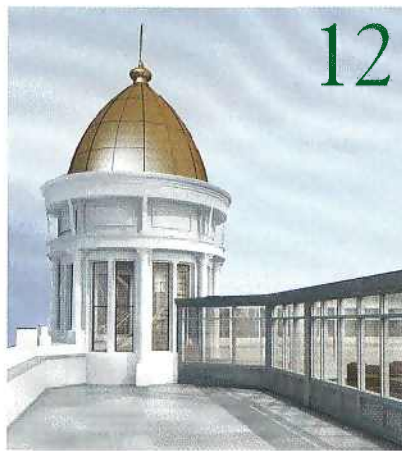
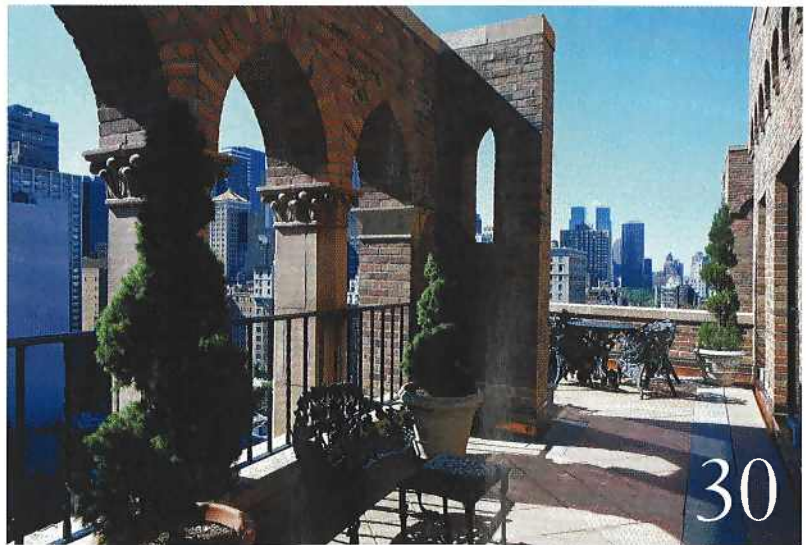


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On Top of the World: Penthouse Living

By Jonathan Miller,
President/CEO Miller Samuel Inc.



Most urbanites aspire to be on top of things — and that goes for their apartments, too. Penthouses are the ultimate home for many, but how is a penthouse apartment actually defined? The term “penthouse” as a marketing label implies exclusivity, cache, and uniqueness, yet as an apartment type, its definition varies. Besides their “elevated” status at or near the top of a building, penthouses tend to be uniquely configured, have open views, outdoor space, and other unique amenities that may include above-average ceiling height, multilevel configurations, and fireplaces.

The phrase “I’ll know it when I see it” usually applies, and begins with the concept of exclusivity. Penthouse apartments are often unique compared to other units in their respective buildings. They are not an upward continuation of an apartment line, and layouts are usually different from other apartments within the building.

Some exceptions to the rule help explain what a penthouse is. Prewar buildings, especially those constructed prior to the Great Depression, were often configured with maid’s rooms at the top of the building. These spaces often had low ceiling heights, smaller room sizes, and no outdoor space. At some point the landlord may have combined and converted these apartments into stand-alone apartments. These new apartments were hampered, however, by their inferior configurations and construction quality. It was not unusual for penthouse apartments to be built later on the top of prewar buildings.

During certain periods, the distinction of the penthouse moniker became blurred. During the 1980s housing boom, a health club or pool was typically installed at the top of a building instead of apartments, because the penthouse designation seemed to refer only to prewar

buildings. The irony is that common-area amenities such as a pool suffered from lack of use, while incurring additional maintenance costs. Little evidence supports the idea that these common areas provide added value to other unit owners within the building. Since this period, this preference has disappeared as developers realized the demand for penthouses to top their buildings.

Penthouse designations are often added to the top floors in an apartment line, yet the apartments themselves are no different than apartments located below. The developer may hope that the prefix “penthouse” will provide a premium, but it generally does not. Simply labeling an apartment a penthouse does not command a premium; it is the combination of unique amenities that make the unit special and translates into additional value.

The idea of exclusivity is important since penthouse owners are attracted to these units primarily because they are one-of-a-kind or are limited in availability. The number of penthouses in a given building is largely dependent on the size of the building floorplate.

In a new development, the penthouse units are often either the first or last units to sell depending on the strategy of the developer. For many buyers looking for new penthouse units in the market, they are often willing to purchase based on the plans and specifications in the offering plan. Also sometimes penthouse units are not offered for sale until the overall sales effort begins to wind down because it “saves the best for last” and allows for a more focused marketing effort on those units that are much different than the remainder of the building.

Quite often, buyers of these apartments are only looking at penthouses in each building they visit and are not interested in alternative non-penthouse

apartments within the same buildings. The focus of the penthouse buyer tends to be more concentrated on the unit than the building, assuming the building services and location are acceptable. Developers and co-op boards have implemented many creative solutions to produce new space on top of unimproved roof area, in an effort to leverage the assets of the building. The opportunity to create something unique to the building is even stronger in this scenario because the buyer is dealing with a clean slate.

The penthouse apartment is influenced by the configuration and mix of other apartments within the building. A sole penthouse apartment that sits on top of a building that has an apartment mix with significant weight toward entry-level apartments is usually worth less than the same penthouse apartment that sits on top of a building configured with very large apartments. Think of it as a neighborhood. A property can be directly influenced by the type of houses owned and maintained nearby.

At the top of the world, penthouse apartments are a real estate market unto themselves.

Jonathan Miller is a cofounder and president/CEO of Miller Samuel Inc., a leading Manhattan-based real estate appraisal firm (www.millersamuel.com). His company performed appraisals on more than \$5 billion of Manhattan residential property in the past year. He is a general certified real estate appraiser in the state of New York and has been appraising properties in Manhattan for 20 years. He sits on the Mayor’s Economic Advisory Panel for the New York City Office of Management and Budget and the Fannie Mae Co-op Panel, among others. He is a prolific blogger, running Matrix, which interprets the real estate economy (matrix.millersamuel.com), and Soapbox, which covers appraisal issues (soapbox.millersamuel.com), and he writes a weekly column on Curbed.com called “Three Cents Worth.” He is also the cofounder of Miller Cicero, LLC, a commercial valuation concern, and is the author of several reports on the Manhattan real estate market, including the widely read quarterly *Manhattan Market Overview*, the ten-year *Manhattan Market Report*, and the *Manhattan Townhouse Report* on behalf of Prudential Douglas Elliman, one of the largest New York City real estate brokerage firms.